



IAC Performance Review

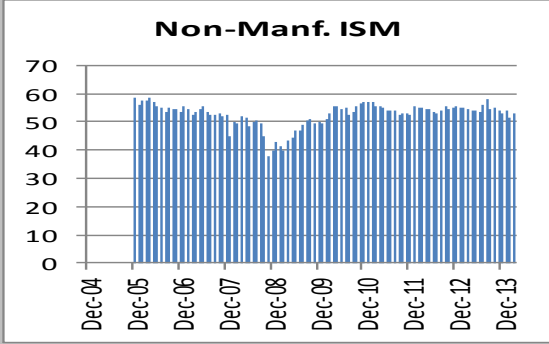
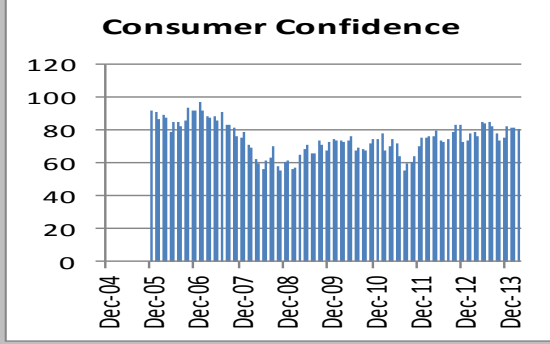
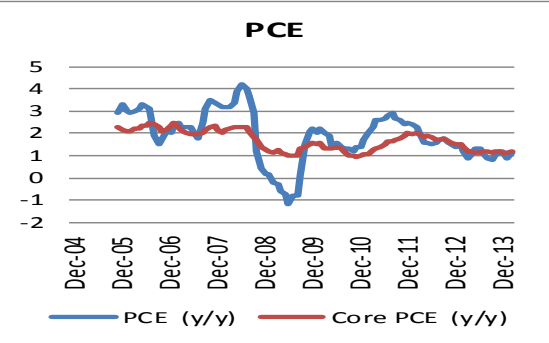
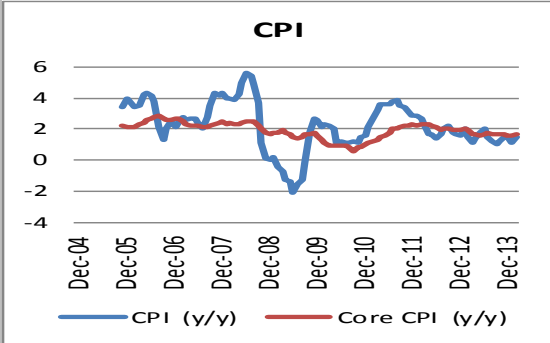
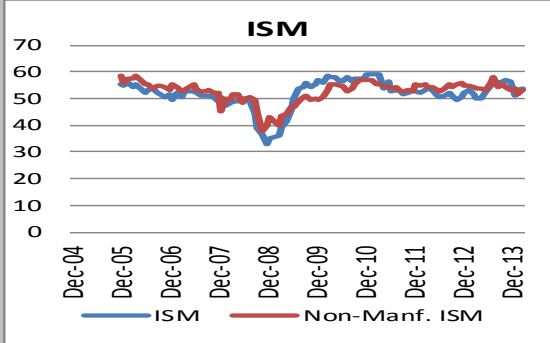
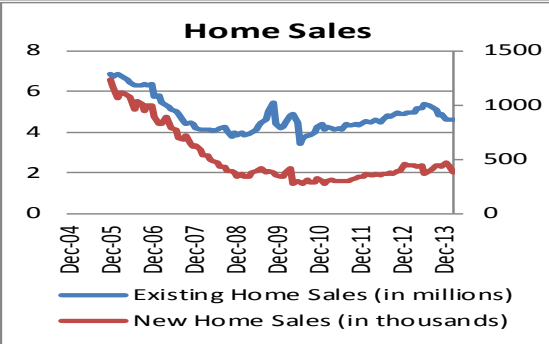
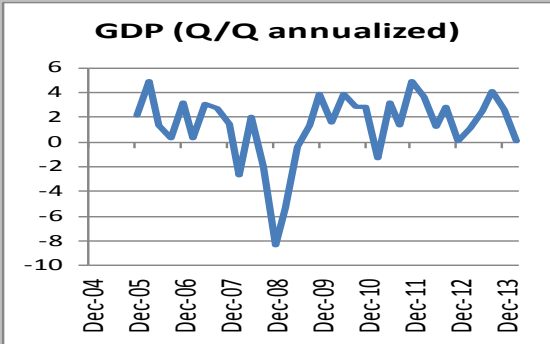
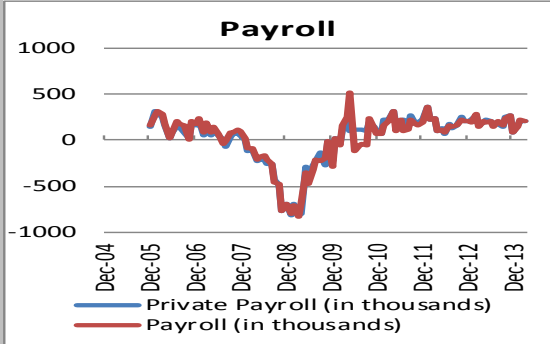
May 22, 2014



North Carolina Department of State Treasurer
Investment Management

Learn. Invest. Grow. Prosper.

U.S. Economic Environment



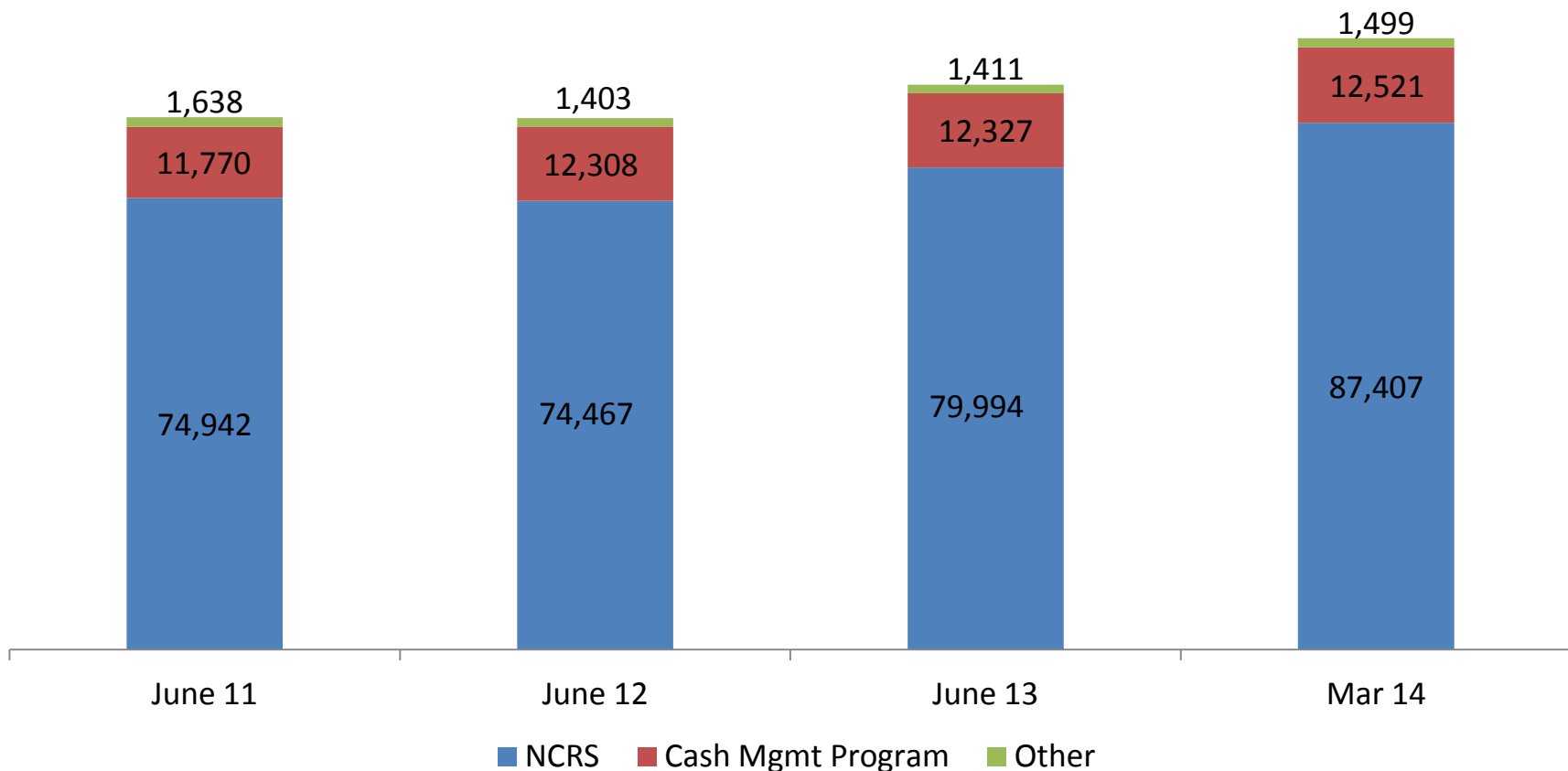
Global Economic Environment

Countries	Real GDP YoY		Unemployment		CPI YoY		Countries	Real GDP YoY		Unemployment		CPI YoY	
	Date	Value	Date	Value	Date	Value		Date	Value	Date	Value	Date	Value
U.S.	03/14	2.3	03/14	6.7	03/14	1.5	Asia/Pacific/Latam						
Europe							China	03/14	7.4			03/14	2.4
Germany	12/13	1.4	03/14	6.7	03/14	1	India	12/13	4.7			03/14	6.7
France	12/13	0.8	03/14	10.4	03/14	0.6	Japan	12/13	2.6	03/14	3.6	03/14	1.6
U.K.	03/14	3.1	02/14	6.9	03/14	1.6	Indonesia	03/14	5.21			03/14	7.32
Italy	12/13	-0.9	03/14	12.7	03/14	0.4	Brazil	12/13	1.93			03/14	6.15
Spain	03/14	0.6	03/14	25.3	03/14	-0.1	Australia	12/13	2.8	03/14	5.8	03/14	2.9



Assets Under Management (\$mil)

\$101.43 Billion as of March 31, 2014



NCRS Asset Allocation

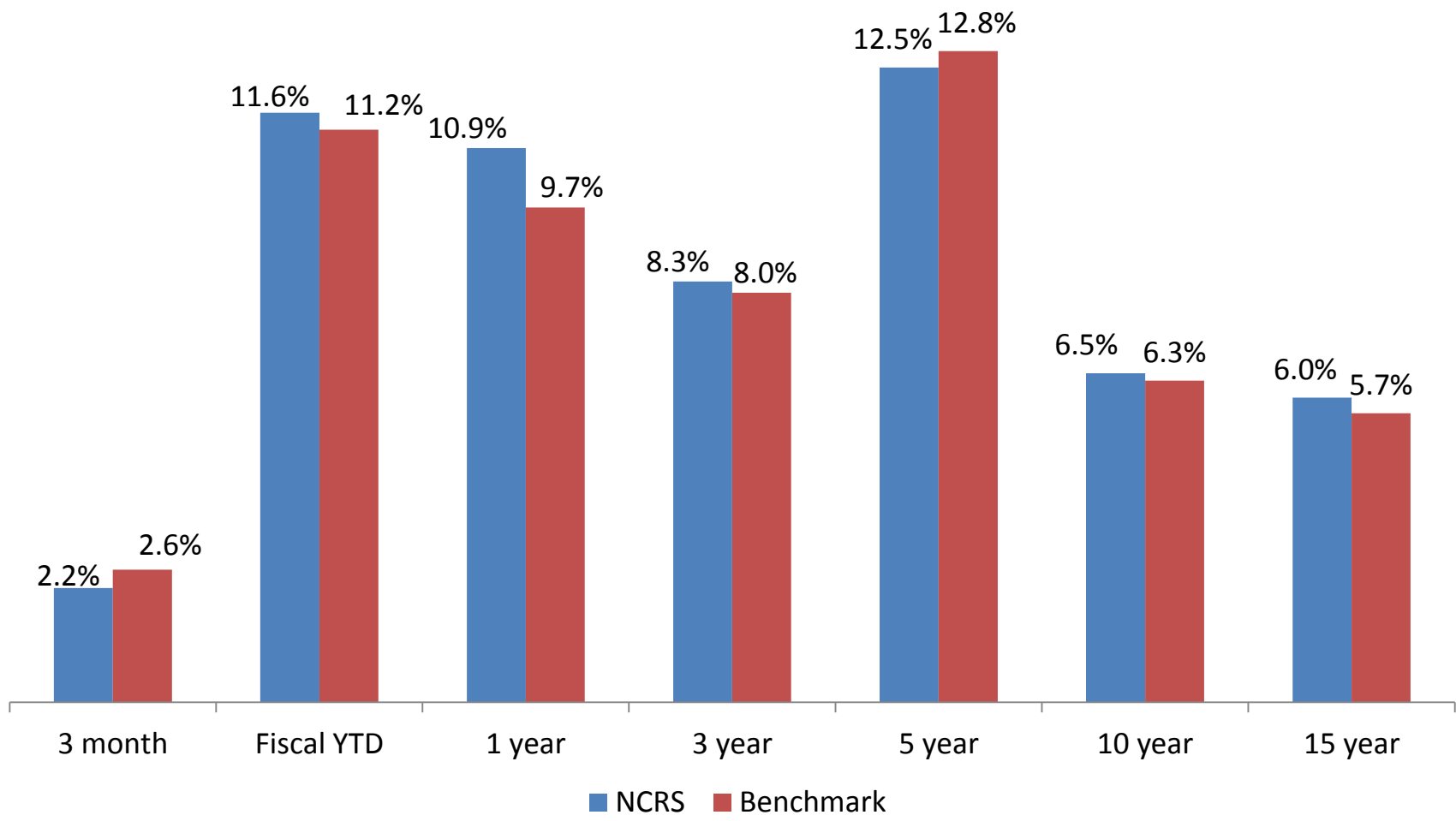
As of March 31, 2014

	Market Value	Current	Strategic Target	Transitional Target
Global Equity	\$41,286,906,265	47.24%	40.50%	43.32%
Total Fixed Income	\$27,170,092,431	31.08%	36.00%	35.01%
LTIF	\$26,798,581,687	30.66%		
Real Estate	\$7,378,850,939	8.44%	8.00%	8.44%
Alternatives	\$3,986,274,778	4.56%	6.50%	4.56%
Private Equity	\$3,698,031,305	4.23%		
Hedge Funds	\$288,243,473	0.33%		
Credit	\$4,321,464,021	4.94%	4.50%	4.94%
Inflation	\$2,781,701,192	3.18%	4.50%	3.18%
Cash	<u>\$482,077,648</u>	<u>0.55%</u>	<u>0.00%</u>	<u>0.55%</u>
Total Fund	\$87,407,367,275	100.00%	100.00%	100.00%



NCRS Total Net Portfolio Return vs. Benchmark

As of March 31, 2014



NCRS Net Return Attribution

Contribution to Total Fund Performance vs. Benchmark

As of March 31, 2014

	3 months	1 Year	3 Years	5 Years
Global Equity	0.01	0.94	0.43	0.01
Fixed Income	-0.13	0.18	-0.04	0.04
Real Estate	0.01	-0.03	-0.22	-0.14
Private Equity	-0.16	-0.24	-0.19	-0.43
Hedge Funds	0.00	0.02	0.00	0.04
Credit Strategies	0.05	0.41	0.30	0.23
Inflation Portfolio	-0.08	-0.03	-0.05	-0.07
Cash	-0.02	-0.02	-0.01	0.00
Total NCRS	-0.31	1.23	0.24	-0.32



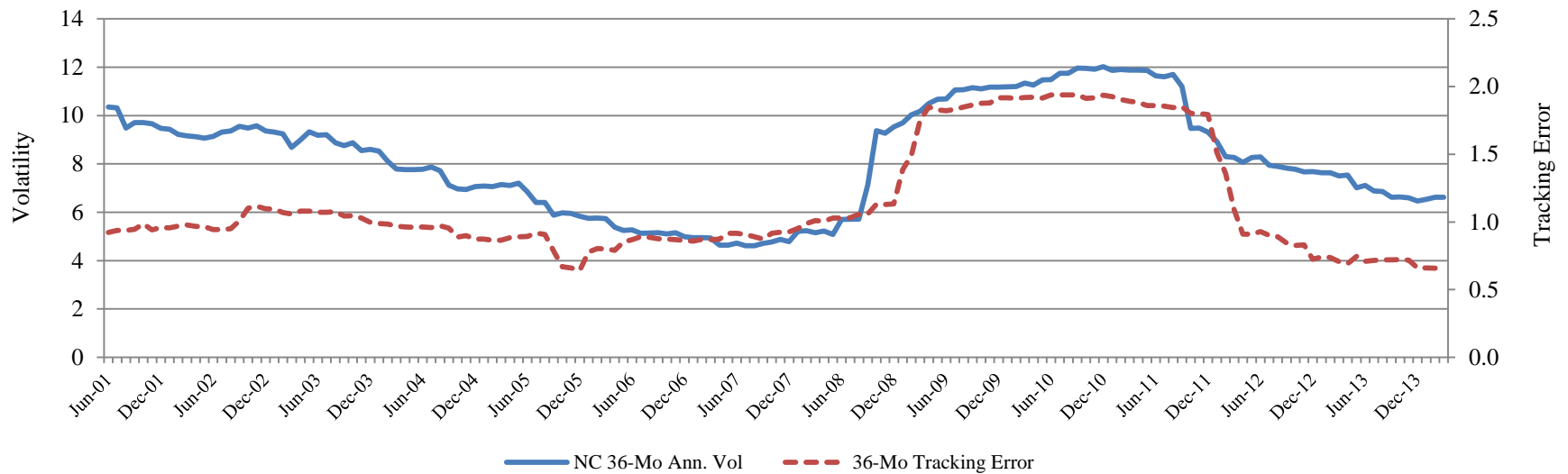
NCRS Gross of Fees Return and Risk

BNY Mellon Universe - Public Funds > \$1B

<u>Returns</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>15 Year</u>
25th percentile	13.57	9.68	15.64	7.53	6.98
Median	12.26	9.17	14.60	7.18	6.48
75th percentile	10.07	8.36	13.35	6.65	6.13
NCRS	11.47	8.75	12.95	6.81	6.22
Percentile Rank	64	65	79	69	65
<u>Risk</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>15 Year</u>
25th percentile	6.93	8.70	9.56	10.47	10.34
Median	6.35	7.75	8.62	9.76	9.72
75th percentile	5.54	6.84	7.63	8.98	8.67
NCRS	5.64	6.61	7.26	8.19	8.34
Percentile Rank	72	82	82	90	87



NCRS Rolling 3 Year Total Fund Volatility & Tracking Error as of March 31, 2014



NCRS Risk and Return Metrics as of March 31, 2014

Program	POSITION		36-MONTH					60-MONTH				
	\$ Bil	% Wgt	Return	St. Dev	Active Return	TE	IR	Return	St. Dev	Active Return	TE	IR
Global Equity	41.3	47.2	10.1	14.5	0.9	0.7	1.3	18.8	15.7	0.5	0.8	0.6
Fixed Income	27.2	31.1	5.5	4.3	0.0	0.8	0.0	7.1	4.2	0.6	0.8	0.7
Real Estate	7.4	8.4	10.3	2.8	-2.9	3.6	-0.8	2.9	5.7	-2.8	7.0	-0.4
Private Equity	3.7	4.2	9.4	2.8	-4.6	5.4	-0.8	9.1	3.9	-9.2	12.8	-0.7
Hedged Strategies	0.3	0.3	2.6	3.6	-0.3	3.6	-0.1	5.7	3.8	2.3	3.8	0.6
Credit Strategies	4.3	4.9	10.0	3.5	7.2	3.8	1.9	--	--	--	--	--
Inflation Portfolio	2.8	3.2	-3.7	10.9	-1.9	3.3	-0.6	--	--	--	--	--
Cash	0.5	0.6	--	--	--	--	--	--	--	--	--	--
Total NCRS	87.4	100.0	8.3	6.6	0.2	0.7	0.3	12.5	7.3	-0.3	1.0	-0.3

Note: Active Return= Net Managed less benchmark returns; TE=Tracking Error; IR = Information Ratio

NCRS Liquidity Profile

As of March 31, 2014

Invested Assets

	Global Equity	Credit Portfolio	Inflation Portfolio	Hedge Fund	Private Equity	Real Estate	Fixed Income	Cash	TOTAL	Allocation
Level 1	\$40,249,232,836	\$360,628,024	\$1,111,612,273	-	\$3,215,066	\$536,865,227	\$27,170,092,431	\$482,077,648	\$69,913,723,505	80.0%
Level 2	\$1,037,673,429	\$1,663,693,324	\$440,235,134	-	-	\$1,540,906,114	-	-	\$4,682,508,000	5.4%
Level 3	-	\$1,125,768,293	-	\$273,924,727	\$43,800,816	-	-	-	\$1,443,493,836	1.7%
Level 4	-	\$1,171,374,381	\$1,229,853,786	\$14,318,746	\$3,651,015,423	\$5,301,079,598	-	-	\$11,367,641,932	13.0%
TOTAL	\$41,286,906,264	\$4,321,464,021	\$2,781,701,192	\$288,243,473	\$3,698,031,305	\$7,378,850,939	\$27,170,092,431	\$482,077,648	\$87,407,367,274	

Invested Assets plus Unfunded Commitments

	Global Equity	Credit Portfolio	Inflation Portfolio	Hedge Funds	Private Equity	Real Estate	Fixed Income	Cash	TOTAL	Allocation
Level 1	\$35,599,624,156	\$360,628,024	\$1,111,612,273	-	\$3,215,066	\$536,865,227	\$25,221,511,610	\$482,077,648	\$63,315,534,004	72.4%
Level 2	\$1,037,673,429	\$1,663,693,324	\$440,235,134	-	-	\$1,540,906,114	-	-	\$4,682,508,000	5.4%
Level 3	-	\$1,125,768,293	-	\$273,924,727	\$43,800,816	-	-	-	\$1,443,493,836	1.7%
Level 4	-	\$1,828,845,718	\$2,944,548,943	\$14,318,746	\$5,928,457,609	\$7,249,660,419	-	-	\$17,965,831,433	20.6%
TOTAL	\$36,637,297,584	\$4,978,935,358	\$4,496,396,349	\$288,243,473	\$5,975,473,491	\$9,327,431,760	\$25,221,511,610	\$482,077,648	\$87,407,367,274	

The Liquidity Level defines the level of liquidity for each investment.

Level 1: Highly liquid (T+3 or less)

Level 2: Separate or Commingled Funds with Monthly, Quarterly or Semi-Annual redemption period

Level 3: Annual to 24 month redemption period

Level 4: Illiquid (> 24 month redemption period)



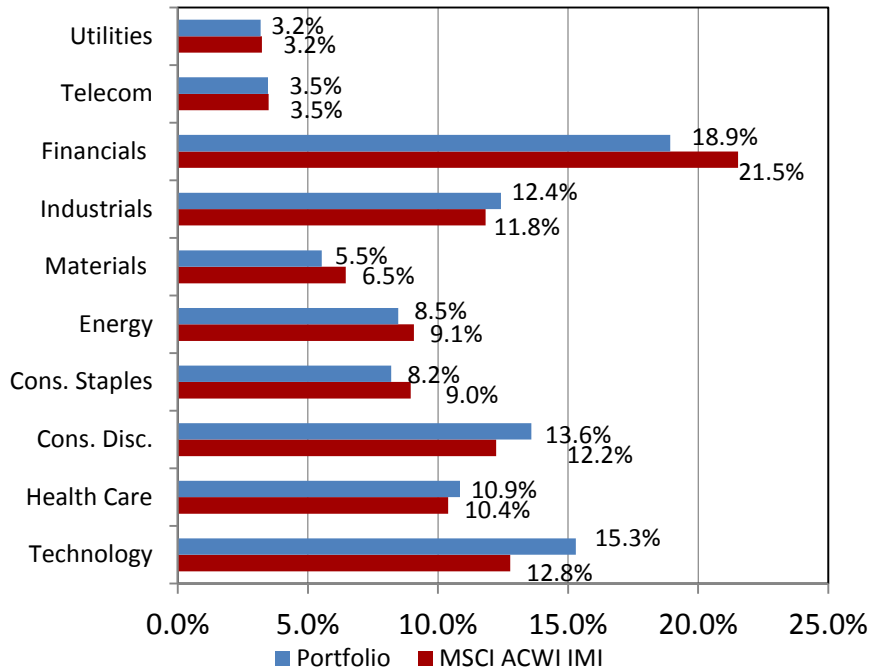
NCRS Global Equity Net Performance

As of March 31, 2014

	3 Month	1 Year	3 Years	5 Years	10 Years
Global Equity	1.38	19.46	10.12	18.79	6.76
Custom Equity Benchmark ¹	1.37	17.33	9.19	18.31	6.30
Domestic Portfolio	2.06	24.58	14.86	22.26	8.07
Russell 3000	1.97	22.61	14.61	21.93	7.86
Non-US Portfolio	0.79	14.28	5.20	15.26	7.00
Custom Non-US Benchmark ²	0.87	12.80	4.32	14.88	5.99
Global Portfolio	2.00	26.75	14.73	19.37	-
MSCI ACWI	1.08	16.55	8.55	17.80	6.97
Equity Rebalance	0.68	16.96	-	-	-
Rebalance Custom Benchmark ³	0.97	17.07	-	-	-
Equity Hedge	(0.14)	7.78	-	-	-
Equity Hedge Custom Benchmark ⁴	0.35	4.59	-	-	-



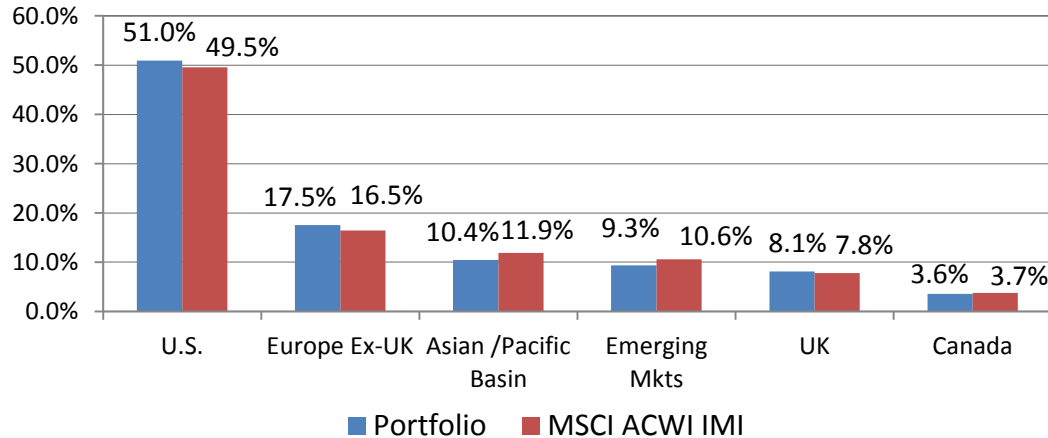
Total Equity Sector Allocation



Portfolio Characteristics

	Portfolio	MSCI ACWI IMI
Price/Earnings	19.0	18.1
Dividend Yield	2.20	2.39
Price/Book	2.09	2.02
Debt/Equity	0.83	0.85
Market Cap (\$ Weighted Median)	31,843	34,354
Return on Equity - 1 Year	15.5	15.3

Total Equity Regional Allocation



Fixed Income

As of March 31, 2014

Net Performance					
	3 Month	1 Year	3 Years	5 Years	10 Years
Total Fixed Income	2.88	(0.46)	5.47	7.08	5.77
ML Custom Benchmark ⁵	3.30	(0.96)	5.47	6.52	5.35
Core Fixed Income	2.89	(0.71)	5.58	7.06	5.80
Non-Core Fixed Income	1.77	6.95	7.52	9.56	-
ML Custom Benchmark ⁵	3.30	(0.96)	5.47	6.52	5.35

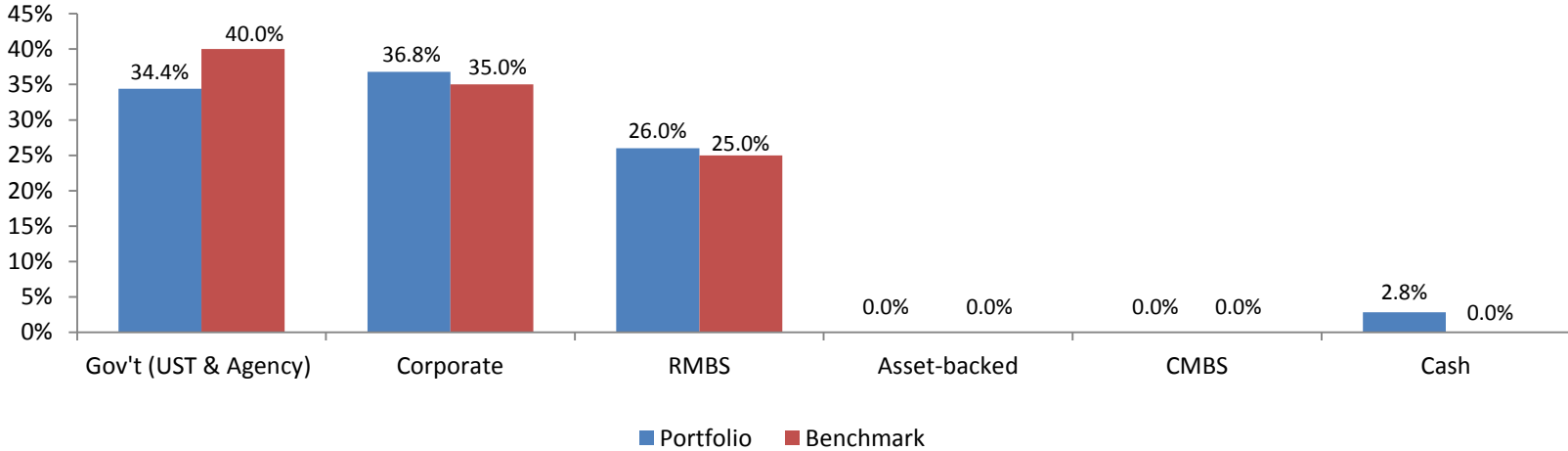
Internal Core Fixed Income Portfolio Characteristics

	<u>Avg. Coupon</u>	<u>Yield to Maturity</u>	<u>Duration</u>
Government (Treasury & Agency)	5.35%	2.36%	7.5
Corporate	5.55%	3.80%	8.5
Mortgage	4.12%	2.99%	5.0
Total	5.10%	3.07%	7.2

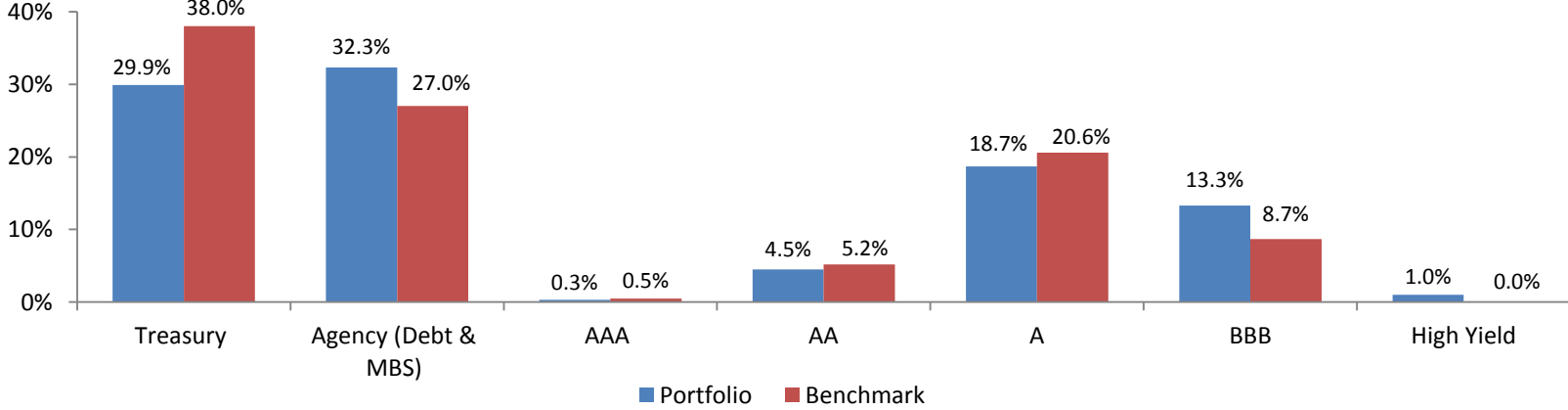


Internal Core Fixed Income As of March 31, 2014

Sector Allocation



Quality Allocation



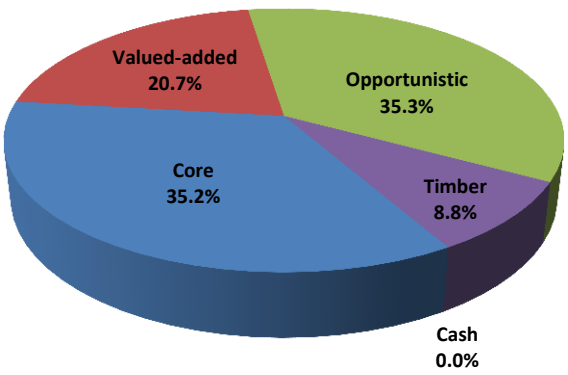
Real Estate

As of March 31, 2014

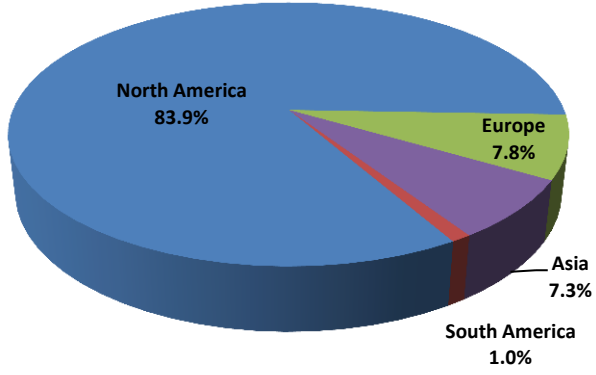
Net Performance					
	3 Month	1 Year	3 Years	5 Years	10 Years
Total Real Estate	3.36	12.34	10.35	2.89	4.62
Custom Real Estate Benchmark ⁶	3.26	12.75	13.22	5.70	7.27
Core Private Real Estate (w/o Timber)	1.81	14.49	12.42	3.94	6.80
Value Add Private Real Estate	2.95	10.06	13.65	1.57	4.58
Opportunistic Private Real Estate	5.21	18.02	10.78	1.08	5.44
Timber	0.78	(0.82)	1.01	(4.87)	3.75
REITS	4.96	6.96	8.82	23.54	-

IRR by Vintage Year											
	<u>Pre-2005</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
NCRS	7.95	-2.46	-2.06	2.46	9.19	10.06	14.63	3.50	8.06	N/A	4.29
# of Funds	24	15	19	13	6	5	8	8	7	0	105

Strategy Allocation (based on valuation)



Geographic Allocation (based on valuation)*



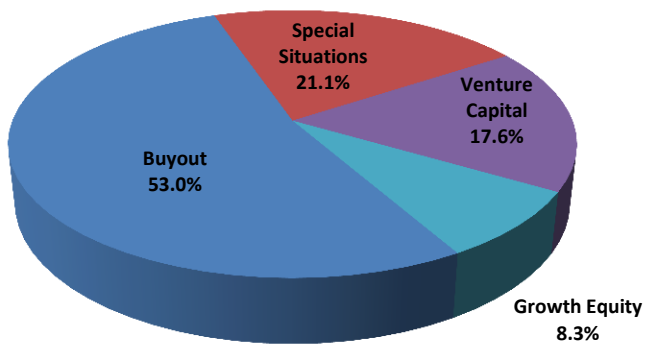
Alternatives

As of March 31, 2014

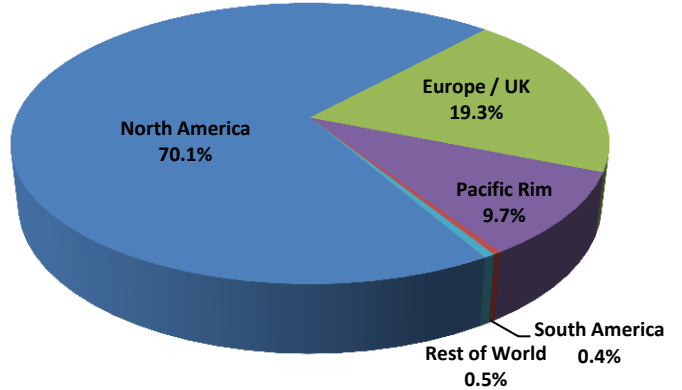
Net Performance					
	3 Month	1 Year	3 Years	5 Years	10 Years
Alternatives	3.48	13.47	8.78	8.93	6.12
Custom Alternatives Benchmark ⁷	6.91	18.54	12.75	15.52	8.52
Private Equity	3.55	13.81	9.41	9.06	8.21
Custom Private Equity Benchmark ⁸	7.36	19.67	13.77	18.14	9.03
Hedge Funds	2.49	9.22	2.59	5.70	2.78
Custom Hedge Fund Benchmark ⁹	1.18	4.82	2.84	3.37	5.27

IRR by Vintage Year													
	<u>Pre-2004</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
NCRS	12.68	6.82	5.90	3.14	6.90	8.83	10.19	17.84	5.02	0.66	-29.83	N/A	6.79
# of Funds	28	3	11	21	13	17	3	1	6	5	9	1	118

Strategy Allocation (based on commitments)



Geographic Allocation (based on valuation)



Credit Strategies & Inflation Portfolio

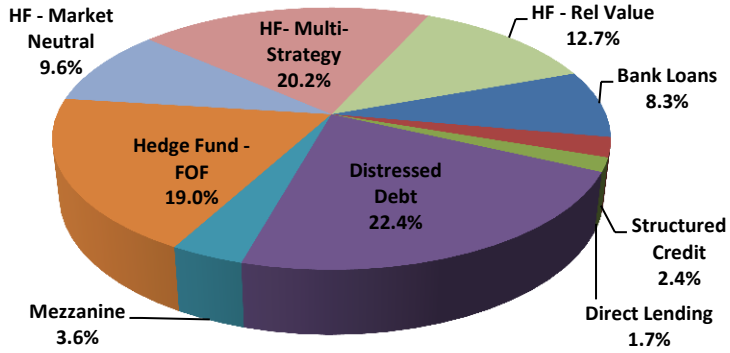
As of March 31, 2014

Net Performance					
	3 Month	1 Year	3 Years	5 Years	10 Years
Total Credit Strategies	3.55	15.31	9.97	-	-
Custom Credit Benchmark ¹⁰	2.50	6.02	2.82	-	-
Total Inflation Portfolio	3.02	0.65	(3.68)	-	-
Custom Inflation Benchmark ¹¹	5.51	1.23	(2.05)	-	-

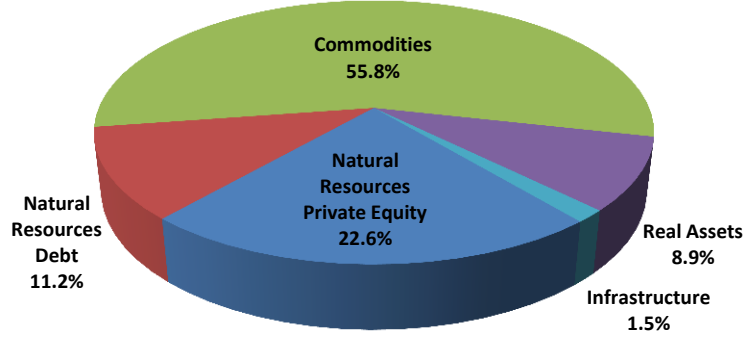
Credit Strategies IRR by Vintage Year										
	2005	2007	2008	2009	2010	2011	2012	2013	2014	Total
NCRS	4.01	16.68	11.30	22.42	14.78	7.51	7.36	18.24	N/A	11.13
# of Funds	1	1	3	1	4	9	2	7	1	29

Inflation Portfolio IRR by Vintage Year										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
NCRS	6.72	12.81	10.13	N/A	-5.08	-4.89	10.55	4.36	-1.69	-1.96
# of Funds	1	2	2	0	3	9	7	11	3	38

Strategy Allocation (based on valuation)



Strategy Allocation (based on valuation)



New Investments Since February IAC Meeting

<u>Fund Name</u>	<u>Firm Name</u>	<u>Commitment</u>	<u>Closing Date</u>
<u>Global Equity</u>			
	None		
<u>Private Equity</u>			
Crestview Capital Partners III	Crestview Partners	\$150,000,000	4/28/2014
<u>Real Estate</u>			
AG Net Lease Realty Fund III	Angelo Gordon	\$100,000,000	4/8/2014
<u>Credit Strategies</u>			
Marathon Currituck Fund	Marathon Asset Management	\$300,000,000	3/28/2014
<u>Inflation Portfolio</u>			
Intervale Capital III	Intervale Capital	\$60,000,000	2/7/2014
Orion Mine Finance Fund I-A	Orion Resource Partners	\$125,000,000	5/12/2014
<u>Hedge Funds</u>			
	None		



Appendix: NCRS Asset Class Net Performance

As of March 31, 2014

	1 Year	3 Years	5 Years	10 Years	15 Years
Global Equity	19.46%	10.12%	18.79%	6.76%	5.27%
Benchmark	17.33%	9.19%	18.31%	6.30%	4.25%
Fixed Income	-0.46%	5.47%	7.08%	5.77%	6.58%
Benchmark	-0.96%	5.47%	6.52%	5.35%	6.25%
Real Estate	12.34%	10.35%	2.89%	4.62%	5.31%
Benchmark	12.75%	13.22%	5.70%	7.27%	8.01%
Private Equity	13.81%	9.41%	9.06%	8.21%	5.35%
Benchmark	19.67%	13.77%	18.14%	9.03%	6.95%
Hedge Funds	9.22%	2.59%	5.70%	2.78%	-
Benchmark	4.82%	2.84%	3.37%	5.27%	-
Credit Strategies	15.31%	9.97%	-	-	-
Benchmark	6.02%	2.82%	-	-	-
Inflation Portfolio	0.65%	-3.68%	-	-	-
Benchmark	1.23%	-2.05%	-	-	-



NOTES:

1. As of 5/1/12, the Global Equity Benchmark is the dynamically weighted return of the Domestic Benchmark, the Non-US Benchmark, the Global Benchmark, the Rebalance Benchmark, and the Equity Hedge Benchmark
2. As of 10/1/10, the Custom Non-US Benchmark is the MSCI ACWI ex US IMI Index
3. The Equity Rebalance (Gladius) Custom Benchmark is a combination of the return of the underlying benchmarks within share class A, and share class B's performance minus the accrued premium of share class B.
4. The Equity Hedge Custom Benchmark is the return of the MSCI World Index beta adjusted to the target beta of the Equity Hedge portfolio.
5. The ML Custom Benchmark consists of 40% Gov't 5+yr / 35% Corp. (Inv. Grade - BBB Max 25%) 5+yr / 25% Mtg. Master
6. As of 7/1/07, the Custom Real Estate Benchmark consists of 90% NCREIF ODCE Index / 10% FTSE EPRA/NAREIT Global Securities Index
7. As of 7/1/11, the Custom Alternatives Benchmark is the dynamically weighted return of the Custom Private Equity Benchmark and the Custom Hedge Fund Benchmark
8. As of 7/1/11, The Custom Private Equity Benchmark is the custom Cambridge Associates benchmark
9. As of 7/1/11, The Custom Hedge Fund Benchmark is the HFRI FOF Conservative Index
10. As of 7/1/11, The Custom Credit Benchmark consists of 50% HFRX Distressed / 20% HFRX Relative Value / 15% CS Leveraged Loan / 15% BOA High Yield
11. As of 7/1/11, The Custom Inflation Benchmark is the dynamically weighted return of the Private Energy benchmark (Cambridge Energy) and the Commodities benchmark (DJ-UBS Commodities Index)
12. As of 7/1/11, the Total Pension Custom Benchmark consists of the dynamically weighted return of the Fixed Income Benchmark, Custom Equity Benchmark, Custom Real Estate Benchmark, Custom Alternatives Benchmark, Custom Credit Benchmark, & Custom Inflation Benchmark





Thank You!

Together we can build and maintain a fiscally strong and prosperous North Carolina.

www.NCTreasurer.com



North Carolina Department of State Treasurer
Investment Management

Learn. Invest. Grow. Prosper.